

BUSINESS SUBSIDY POLICY

ESTABLISHING

A BUSINESS SUBSIDY POLICY FOR TRADITIONAL BUSINESS SUBSIDY AND JOBZ BUSINESS SUBSIDY DEVELOPMENTS

Preamble. Whenever the City invests public funds or agrees to voluntarily forfeit tax or other revenue that benefits private development projects, those projects should create the greatest number of full-time Equivalent (FTE) jobs that pay a living wage possible for the residents of the City. City policy makers and economic developers will make an effort to keep living wage full-time equivalent (FTE) jobs the priority whenever public dollars are invested in a private business or development project.

Business Subsidy Public Purpose. The public purposes of the policy shall be to accomplish the following on behalf of the City of Hallock:

- . Enhance economic growth in this area
2. Create high quality job growth in this area
3. Retain high quality jobs in this area
4. Stabilize the community

This policy is adopted in compliance with M.S. 116J.994, Subd. 2. A copy of the policy shall be submitted to the Department of Employment and Economic Development along with the first annual Business Subsidy report.

Principles of Business Subsidy Implementation. The City shall target its business subsidy assistance to businesses that demonstrate a clear and ongoing commitment to the community by providing living wage jobs to their employees and to City residents, where applicable, by giving priority to those businesses over businesses that have not traditionally paid living wages.

The City shall focus its business subsidy assistance only to businesses which agree to comply with annual business subsidy reporting requirements as required by Job Opportunity Building Zone (JOBZ) statute M.S. 469.310 – 469.320 and/or as required by the Business Subsidy statute M.S. 116J.993 – 116J.995.

I. Business Subsidy

"JOBZ Business Subsidy" means tax exemptions or tax credits available to a qualified business located in a job zone under the Job Opportunity Building Zone (JOBZ) statute M.S. 469.310 – 469.320. JOBZ Business Subsidies shall include:

1. Exemption from individual income taxes as provided under M.S. 469.316; and
2. Exemption from corporate franchise taxes as provided under M.S. 469.317; and
3. Exemption from the state sales and use tax and any local sales and use taxes on qualifying purchases as provided in M.S. 297A 68, subdivision 37; and
4. Exemption from the state sales tax on motor vehicles and any local sales tax on motor vehicles as provided under M.S. 279B.03; and
5. Exemption from the property tax as provided in M.S. 272.02, subdivision 64; and
6. Exemption from the wind energy production tax under M.S. 272.029, subdivision 7; and
7. The jobs credit allowed under M.S. 469.318

"Business Subsidy" means a state or local government agency grant, contribution of personal property, real property, infrastructure, the principal amount of a loan at rates below those commercially available to the recipient, any reduction of deferral of any tax or any fee, any guarantee of any payment under any loan, lease, or other obligation, or any preferential use of government facilities given to a business, and as defined by the Business Subsidy statute M.S. 116J.993 – 116J.995. Business subsidies shall include, but not be limited to:

1. Loan
2. Grant
3. Tax abatement
4. TIF or other tax reduction or deferral
5. Guarantee of payment
6. Contribution of property of infrastructure
7. Preferential use of government facilities
8. Land contribution
9. Other specified subsidy

Business subsidies do not include the following:

1. Assistance of less than \$25,000;
2. Assistance that is generally available to all businesses or to a general class of similar businesses, such as a line of businesses, size, location or similar general criteria;
3. Public improvements to buildings or lands owned by the City that serve a public purpose and do not principally benefit a single business or defined group of businesses at the time the improvements are made;
4. Property polluted by contaminants being redeveloped as defined in M.S. 116J.552, subd. 3;
5. Assistance provided for the sole purpose of renovating old or decaying building stock or bringing stock or bringing it up to code and assistance to designated historic preservation sites or districts, provided that the assistance is equal to or less than 50% of the total cost of the development;
6. Assistance to provide job readiness and training services;
7. Assistance for housing;
8. Assistance for pollution control or abatement, including assistance from a TIF hazardous substance subdistrict;
9. Assistance for energy conservation;
10. Tax reductions resulting from conformity with federal tax laws;
11. Workers compensation and unemployment compensation;
12. Benefits derived from regulations;
13. Indirect benefits derived from assistance to educational institutions;
14. Funds from bonds allocated under M.S. Chapter 47A refunding bonds and 501(c)(3) bonds;
15. Assistance for collaboration between a Minnesota higher education institution and a business;
16. Assistance for a tax increment financing soils condition district as defined under M.S.469.174, Subd. 19;
17. Redevelopment when the Recipients or Qualified Business' investment in the purchase of the site and in site preparation is 70% or more of the assessor's current years estimated market value;
18. General rate changes in tax increment financing law and general tax law changes of a principally technical nature;
19. Federal assistance until the assistance has been repaid to and reinvested by the local government unit;
20. Funds from dock or wharf bonds issued by a seaway port authority;
21. Business loans or loan guarantees of \$75,000 or less; and
22. Federal loan funds provided through the U.S. Economic Development Administration.

II. Business Subsidy Criteria

The city recognizes that every proposal is unique. Nothing in these criteria shall be deemed to be an entitlement or shall establish a contractual right to a subsidy. The City reserves the right to modify these criteria from time to time and to evaluate each project as a whole. The following criteria recognize that the award of a business subsidy may serve a variety of public purposes of varying importance depending upon the specific project facilitated by the subsidy. The City may modify any criteria it determines to be unimportant in the case of a particular project, as permitted by the Act.

Increase in Tax Base. While an increase in the tax base cannot be the sole grounds for granting a subsidy, the city believes it is an important condition for any subsidy.

2. **Jobs and Wages.** It is the City's intent that the grantee creates the maximum number of livable wage jobs at the site. The minimum wage allowed will be \$8.00 per hour. Job retention may be used, but only if job loss is imminent and demonstrable.

3. **Economic Development.** Projects should promote one or more of the following:

- a. Economic and commercial diversity within the community;
- b. Removal of blight, including pollution mitigation;
- c. Retention and reuse of buildings of historical or architectural significance;
- d. Additional or "spin off" development within the community;
- e. Extension of utilities into non-served areas;
- f. The project must be consistent with the City's Comprehensive Plan;
- g. The use of the business subsidy should encourage quality construction and promote the highest and best use of land;
- h. The project will promote completion of major public improvement project within the community with special emphasis given to the installation of trunk sewer and water lines and major transportation projects;
- i. Generally, a subsidy will not be granted to a business that directly competes with a business that is currently operating in the City of Hallock. Exceptions may be granted when the addition of competition could have a positive effect on the community, or meet other goals of the City.

III. Requirements of Business

The City of Hallock shall require all businesses receiving a business subsidy to comply with the following:

- 1. The business shall attend a properly noticed public hearing that shall be held by the City as provided by M.S. 116J.994. As provided by M.S. 116J.994, Subd. 5, a public notice shall be published in print and if possible, on the internet, at least 10 days prior to the hearing.
- 2. The business agrees to continue operating under the conditions of the subsidy agreement for a period of three years beyond the last benefit year.
- 3. If the qualified business or recipient is relocating from a Minnesota non-JOB Zone location into a JOBZ sub zone the business shall be required to enter into a binding written "Relocation Agreement" between the qualified business and the commissioner of DEED.
- 4. The business shall identify an operation start date when business operations for the proposed qualified business are planned to begin the zone. The date when business operations begin is called the "operating start date."

IV. Basis of Decision

When considering projects, the City will consider all relevant factors and will base its decision on the merits of the project and its projected economic benefit to the community. The City will also consider the contributions that the project makes to further the community's overall development plan and its impact on existing business.

Generally, the City will not consider a subsidy which requires more than \$25,000 per job created, or that does not pay a wage of at least \$8.00 per hour.

Resolution No. 2004-10

Pursuant to due call and notice thereof, a special meeting of the City Council of the City of Hallock, Kittson County, Minnesota was duly held in the City Hall in said City on the 21st day of July, 2004, at 12:00 noon. The following members were present: Mayor James Johnson, Keith Klegstad and Harlen Iverson and the following members were absent: Paul Clay and Dan Money

Member Harlen Iverson introduced the following resolution and moved its adoption:

RESOLUTION ADOPTING A BUSINESS SUBSIDY POLICY

ESTABLISHING A BUSINESS SUBSIDY POLICY FOR

TRADITIONAL BUSINESS SUBSIDY AND

JOBZ BUSINESS SUBSIDY DEVELOPMENTS

WHEREAS, the City of Hallock has certain property designated as a Sub-Zone of the Land of the Dancing Sky Job Opportunity Building Zone (JOBZ Zone), and

WHEREAS, each Sub-Zone is required to adopt a Business Subsidy Policy as part of the requirements of the JOBZ legislation,

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Hallock, Minnesota to adopt the attached Business Subsidy Policy.

The motion for the adoption of the foregoing Resolution was seconded by Keith Klegstad. Upon a vote being taken thereon, the vote stood as follows:

Councilmen voting in favor: Mayor James Johnson, Keith Klegstad and Harlen Iverson.
Councilmen voting against: None.

Upon this vote the resolution was declared duly passed by the Mayor of the City of Hallock
Passed this 21st day of July, 2004.

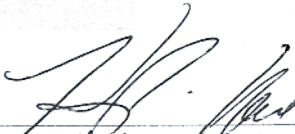
STATE OF MINNESOTA

COUNTY OF KITTSON

CITY OF HALLOCK

I, the undersigned, being the duly qualified and acting clerk-administrator of the City of Hallock, Minnesota, DO HEREBY CERTIFY, that I have carefully compared the attached and foregoing "RESOLUTION ADOPTING A BUSINESS SUBSIDY POLICY ESTABLISHING A BUSINESS SUBSIDY POLICY FOR TRADITIONAL BUSINESS SUBSIDY AND JOBZ BUSINESS SUBSIDY DEVELOPMENTS" and that the same is a full, true and complete copy of the original resolution which is on file in my office.

WITNESS my hand as such clerk-administrator and the official seal of the City this 21st day of July, 2004.


Henry P. Noel
PO Box 336
Hallock, Minnesota 56728


Date

(SEAL)